

The Market Potential for Hispanic Cheeses in Western North Carolina

A survey by the
North Carolina Department of Agriculture & Consumer Services
in cooperation with the
Hoffman Center for Assessment and Research Alliances
Mars Hill College

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Executive Summary

A survey of 58 *tiendas* and Hispanic restaurants in the Johnson City-Asheville-Greenville-Spartanburg Metropolitan Statistical Areas (MSAs) and Henderson County indicates that at least 2,000 pounds of the soft Mexican *Queso Fresco* were sold over a 14-day period in the late summer of 2003. There also are growing markets for other soft cheeses. These cheeses have a relatively short shelf life, making local production especially attractive to store owners. Virtually all of those surveyed indicated a willingness to buy from local dairymen. In sum, there appears to be a market opportunity for local dairy farmers in Hispanic cheeses.

More research needs to be done on other outlets for these cheeses, including the large supermarket chains, such as Bi-Lo and Ingles, and smaller “Anglo” markets that are beginning to stock Hispanic foods.

The Hispanic population more than tripled in the target area during the 1990s and is expected to continue to grow, creating a growing demand for soft cheeses.

According to Project Coordinator Smithson Mills, this research effort has led to the initiation of other efforts to support farmstead dairy production, including a Pasteurizer Lending Program, a Production and Marketing Program, Microloans for Farmstead Producers, and a complementary survey of Hispanic style cheese markets in Eastern North Carolina. Mr. Mills’ comments are found in an addendum at the end of this report.

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Introduction

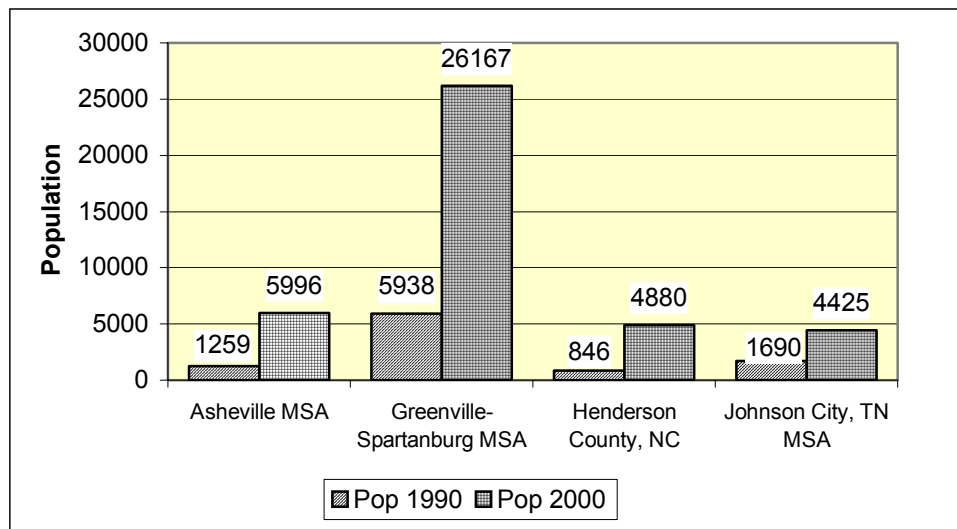
The North Carolina Department of Agriculture & Consumer Services (NCDA&CS), with the assistance of a Hispanic survey team and the Hoffman Center for Assessment and Research Alliances at Mars Hill College, conducted an assessment in the late summer of 2003 of market potential for locally produced soft white Mexican cheeses, especially *Queso Fresco*. The research was funded by a grant from the USDA Federal-State Marketing Improvement Program.

The viability of small dairy farms has been challenged by an array of factors in recent years. Information on market volume and prices can assist in the assessment of new product potential for local dairy farmers. This report focuses on the market for cheeses used by Hispanic families, who are coming to the mountains of western North and South Carolina and eastern Tennessee in increasing numbers.

Hispanic Demographic Trends and Potential Markets

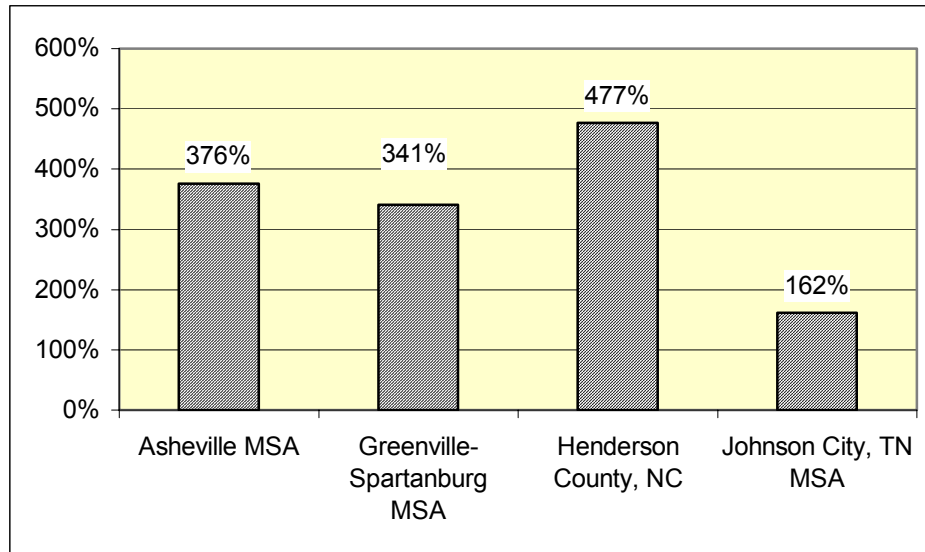
The Census data from 1990 and 2000 in Figures 1 and 2 reveal the growth of the Hispanic migration to this area. The 2000 census figures shown are those revised by the University of Albany's Lewis Mumford Center for Comparative Urban and Regional Research to more accurately reflect minority population counts (Mumford Center Census sources are appended under references).

Figure 1. 1990 and 2000 Hispanic Population Counts in the Spartanburg-Asheville-Johnson City region.



The large increase of population numbers in the Greenville-Spartanburg area dwarfs proportionally similar in-migrations in other areas. Figure 2 provides the same information in the context of *the percentage increase* in Hispanic population from 1990 to 2000. Henderson County had the greatest population increase.

Figure 2. The Percentage Increase in Hispanic Populations from 1990 to 2000 by SMA or County.



In sum, the Hispanic population more than tripled in three of the four areas in the 1990s, and more than doubled in the fourth. Table 1 indicates that the area's total Hispanic population is almost 41,500, an increase of 326.1% above the 1990 figure.

Table 1. Frequencies and Percentage Change of Hispanic Population 1990-2000

| Metro Area or County | Hispanic Population 1990 | Hispanic Population 2000 | % Increase in Hispanic Population |
|------------------------------------|--------------------------|--------------------------|-----------------------------------|
| Asheville MSA (Madison & Buncombe) | 1259 | 5996 | 376.3% |
| Greenville-Spartanburg MSA | 5938 | 26167 | 340.7% |
| Henderson County, NC | 846 | 4880 | 476.8% |
| Johnson City, TN MSA | 1690 | 4425 | 161.8% |
| Total | 9733 | 41468 | 326.1% |

The Products and Their Market Potential

The NCDA request for proposals for this market assessment indicated that the “primary products to be surveyed will be *Queso Blanco* and *Queso Fresco*. Queso Blanco is the most popular cheese south of the border, both for snacking and cooking...(T)he typical Hispanic household consumes up to three pounds of white cheese weekly, with an average retail value of \$5.85 per pound in the Southern Appalachian Region.” *Queso Fresco* is especially popular among Mexicans, due to its fine texture. It is often used in salads or refried beans (Specialty Cheese Company).

The 2000 Census count of some 41,500 Hispanic individuals, translated into 10,000 Hispanic households eating three pounds of cheese a week, suggests a weekly market for 30,000 pounds. At \$5.85 per pound, weekly retail sales would total \$175,500.

Survey Methodology

Among the challenges in conducting research in the Hispanic community were

- Language and dialect issues
- Respondent fear of people unknown to them personally asking questions
- Locating Hispanic places of businesses
- Failure rate of small businesses
- Incomplete record keeping by small business owners

After consulting with Hispanic community leaders and specialists in Latin American Spanish language and culture, it was determined that only people of Hispanic descent whose native tongue was Spanish could conduct the interviews. In the course of the interviews, we found that even Hispanic interviewers were met with suspicion. A young Latina told us, “It would have helped a lot if I had a badge. I finally found I did better by saying I was a student getting information for a school paper” (Interviewer debriefing, October 29, 2003).

To recruit interviewers, the NCDA requested assistance from a Latino staff member of a small business development foundation in Asheville who was well known and trusted in the Hispanic community. This woman was able to recruit three team leaders, who in turn recruited others.

These teams then attempted to locate small convenience stores (*tiendas*) in the Greenville-Spartanburg area, the Hendersonville-Asheville area and Johnson City, TN area. When only four Hispanic establishments could be found in Johnson City, the teams refocused their energies on the Asheville MSA, which includes Buncombe and Madison Counties.

CARA staff provided training in interviewing skills. Team members retranslated the survey questions developed by CARA into colloquial and culturally acceptable Spanish.

Through telephone books, business directories and personal contacts, the research teams located 152 *tiendas* and Hispanic restaurants. They conducted their interviews in August and September 2003. Seven establishments had closed. Of the remaining 145, fifty-eight were found to have useful data. The other 87 were restaurants using large blocks of white American cheese (which is not the same product as the soft *Queso Blanco*) and *tiendas* unable to provide the requested information. Seventeen *tiendas* provided acceptable data in the Asheville SMA, 20 *tiendas* and five restaurants in the Hendersonville area, and 16 in the Greenville-Spartanburg, SC SMA.

Establishment owners were asked for sales data for a two-week period. They were given the option of completing a short form with the interviewer, or independently maintaining a record sheet of sales for the next 14 days. All respondents chose to work with the interviewer. Information was provided on: *Queso Fresco*, *Queso Blanco*, *Queso Con Jalapeno*, *Panela*, *Queso para Derretir* and *Cotija*. Other specialty cheeses favored by Hispanics also were recorded. The data requested included:

- The number of ounces in a packet of cheese
- The wholesale price of cheese
- The number of packages that were lost to spoilage in the past 14 days
- The number of packages of cheese that were sold in the past 14 days.

Other questions related to the places where the cheese they sold came from, who was their wholesaler (translated by the interviewers as *proveedor*), and, most importantly, “Would you be willing to purchase Queso Fresco and other cheeses from local farmers, instead of your regular supplier?”

RESULTS

Where were your cheeses produced?

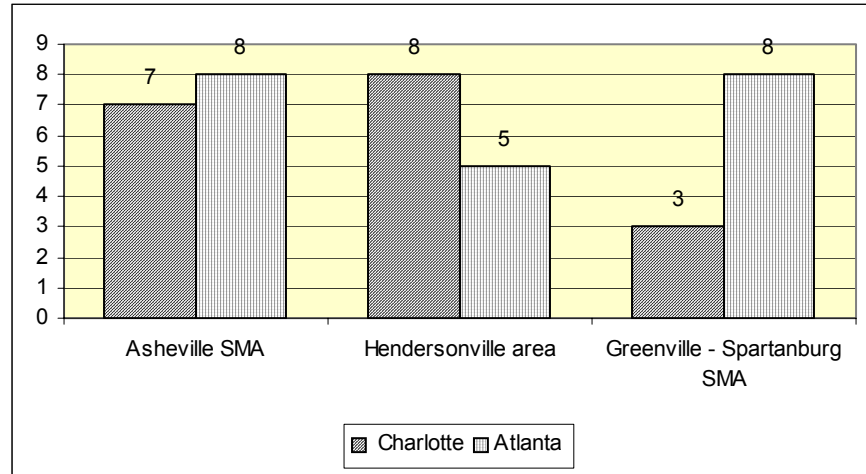
A review of the *tienda* owners’ responses to a question about where their cheeses were produced revealed that a number of them misunderstood the question and gave the location of their wholesalers. Table 2 indicates this was especially true in the Asheville SMA, where no mention was made of major dairy states such as Illinois, New York or Wisconsin.

Table 2. Numbers of Responses on Origins of Cheese by Study Area

| | Charlotte | Atlanta | Local Providers | Illinois | New York | WS/CA | TOTAL |
|------------------------------|-----------|---------|-----------------|----------|----------|-------|-------|
| Asheville SMA | 7 | 8 | 3 | | | | 18 |
| Hendersonville area | 8 | 5 | 2 | 18 | 7 | 3 | 43 |
| Greenville - Spartanburg SMA | 3 | 8 | 9 | 6 | 2 | 2 | 30 |
| TOTAL | 18 | 21 | 14 | 24 | 9 | | 86 |

Thirty-nine responses suggested wholesaler location. For the Asheville area, 15 responses were almost evenly split between Charlotte and Atlanta. The 13 responses obtained in the Hendersonville area favored Charlotte. The 11 *tiendas* in the Greenville-Spartanburg SMA reported obtaining their products from Atlanta. In debriefing sessions, interviewers reported several *tienda* owners traveled to the Atlanta area to get their cheese products.

Figure 3. Number wholesaler locations by SMA or Area



The Local Provider (*Proveedor Local*) category was designed to record “gray market” cheese produced in area home kitchens. Given the responses, the CARA research group questioned the validity of this data and recommends this portion of the questionnaire be redesigned before being administered elsewhere.

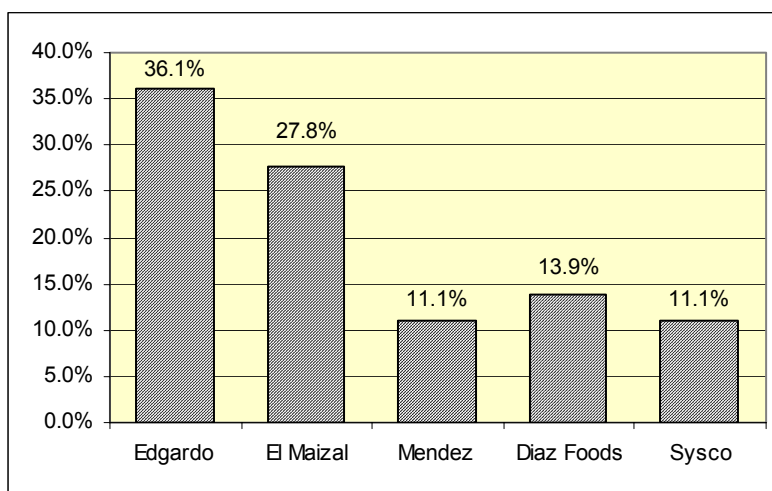
Who is your wholesaler?

Of the 58 respondents providing reliable data, 46 were willing to provide the names of their wholesalers. (Interviewers reported *tienda* staff hesitation to name their *proveedor*. Some respondents claimed not to know the name of their wholesaler, with statements approximating “They drove a gray van with no name on it.”) We clustered names that appeared only once into an “other” category. Two companies, Edgardo and El Maizal, account for 50% of the distributions.

Table 3. Respondent Use Wholesale Distributors and Market Share

| | Edgardo | El Maizal | Mendez | Diaz Foods | Sysco | Other | Total |
|-------------------------|---------|-----------|--------|------------|-------|-------|--------|
| Frequencies | 13 | 10 | 4 | 5 | 4 | 10 | 46 |
| Percent | 28.3% | 21.7% | 8.7% | 10.9% | 8.7% | 21.7% | 100.0% |
| Percent without "other" | 36.1% | 27.8% | 11.1% | 13.9% | 11.1% | | 100.0% |

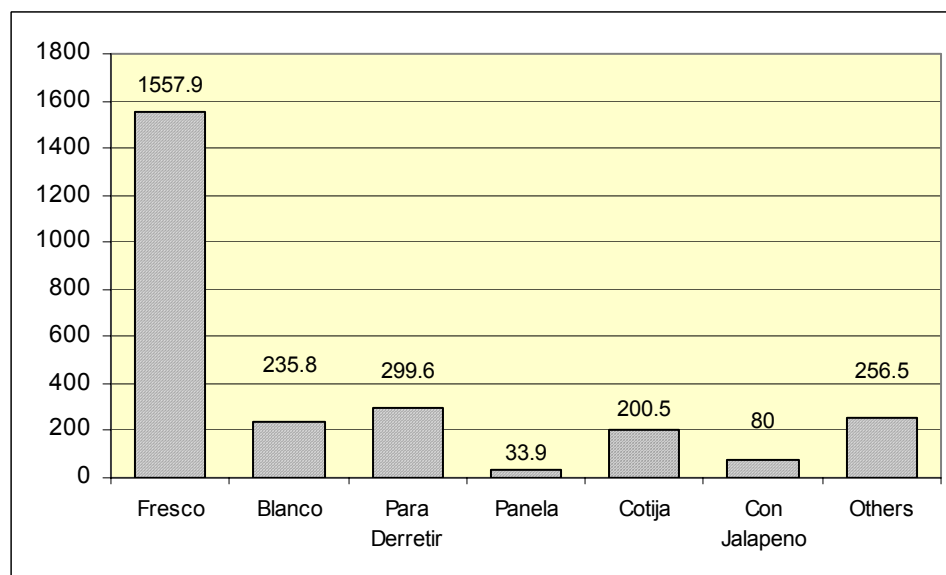
Figure 4. Wholesale Distributors' Percentage of Market



What kinds and what amounts of cheeses are sold?

One predictor of cheese consumption is nationality. Persons of Mexican descent are particularly accustomed to *Queso Fresco*. Fifty-four of the 58 establishments were Mexican owned. Their clients, presumably, also tended to be Mexican. The fact that Queso Fresco was found to be the favorite cheese by a wide margin should not be surprising.

Figure 5. Amount and Kinds of Cheeses Sold over a 14-day Period



Queso Fresco accounts for almost 60% of the cheeses sold in the 58 establishments.

Table 4. Amounts and Kinds of Cheeses Sold in a 14-day Period.

| | Fresco | Blanco | Queso Para Derretir | Panela | Cotija | Con Jalapeno | Others | Total |
|---------|--------|--------|---------------------|--------|--------|--------------|--------|--------|
| Pounds | 1557.9 | 235.8 | 299.6 | 33.9 | 200.5 | 80 | 256.5 | 2664.2 |
| Percent | 58.5% | 8.9% | 11.2% | 1.3% | 7.5% | 3.0% | 9.6% | 100.0% |

We should emphasize that the 58 *tiendas* and restaurants in the survey are not the only markets for Hispanic cheeses. Large supermarkets, such as Bi-Lo, Ingles and Winn-Dixie are shelving these products. However, the small establishments surveyed are selling more than 1,550 pounds of *Queso Fresco* in a two-week period. Further investigation is needed to determine how much the larger market outlets sell. The NCDA's Smithson Mills interviewed the Vice President for Deli Operations of the Ingles supermarket chain in December 2003. Ingles has markets throughout the area covered by the survey. The vice president reported that in the most recent week for which data were available, their stores sold 210 pounds of *Queso Fresco*. According to this vice president, Ingles sells \$8,000 to \$10,000 of *Queso Fresco* a month. If Ingles' sales are added to the *tienda* total, the amount of *Queso Fresco* sold in a two-week period approaches 2,000 pounds. (Ingles sales of all other Hispanic cheeses total \$5,000.) Other supermarket chains need to be surveyed, as well as smaller "Anglo" convenience stores that are beginning to stock Hispanic foods. Table 4 accounts for 2,664 pounds of cheese sold in a 14-day period, and yet the NCDA request for research proposals suggests the weekly market might be as high as 30,000 pounds. Further research needs to explore this discrepancy.

The cheeses most commonly are wholesaled to the *tiendas* in cartons containing 10 or 12 individually wrapped packages. The packages were standardized to either 15 or 16 ounces. The amount of *Queso Fresco* sold by these small establishments varied from two to five cartons in a 14-day period.

Wholesale Prices

The variation in wholesale prices for *Queso Fresco* ranged between 19 and 35 cents per ounce, with a mean cost of 24.48 cents. For *Queso Blanco* the range was 16 to 29 cents, with a mean of 24.24 cents. (The cost to the Ingles supermarket chain was 27 cents). The average prices per ounce and pound are found in Table 5.

Table 5. Wholesale prices for Cheese by Type

| Cheese Type | Fresco | | Blanco | | Queso Para Derretir | | Panela | | Cotija | |
|-------------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|---------|
| Amount | Per Oz. | Per Lb. | Per Oz. | Per Lb. | Per Oz. | Per Lb. | Per Oz. | Per Lb. | Per Oz. | Per Lb. |
| Mean Price | \$ 0.25 | \$4.01 | \$ 0.24 | \$3.88 | \$ 0.27 | \$4.31 | \$ 0.30 | \$4.77 | \$ 0.28 | \$4.44 |

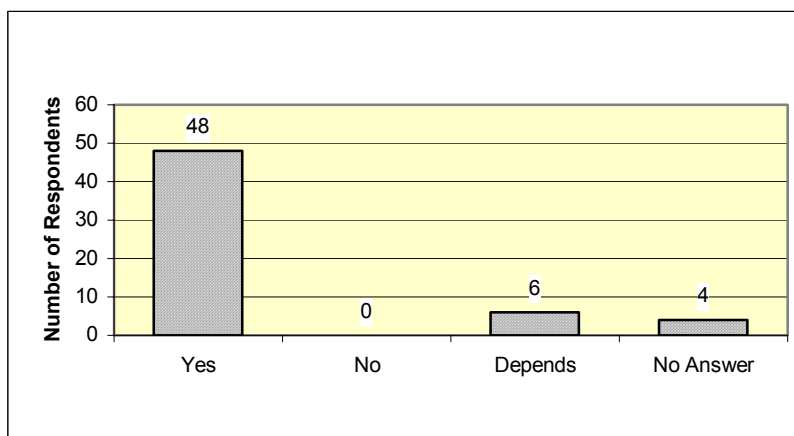
Table 6. Other Cheeses and Their Wholesale Prices

| Name | If Imported, from | Price per Ounce |
|----------------------------|-------------------|-----------------|
| Anejo Enchilado | | 0.18 |
| Viajero | Colombia | 0.19 |
| White Enchilado | | 0.20 |
| Enchilado Supremo (Cremas) | | 0.21 |
| Enchilado Shredded | | 0.23 |
| Guajaca | | 0.24 |
| Redondo | Salvador | 0.25 |
| Anejo Rojo (Enchilado) | | 0.28 |
| Anejo Enchilado | | 0.28 |
| Enchilado Margaritas | | 0.28 |
| Rayada Shredded | | 0.31 |
| Anejo/Enchilado | | 0.35 |
| Salvadorian | Salvador | 0.38 |
| Cuajada | Salvador | Not reported |

Would you buy your cheeses from a local farmer?

Figure 6 indicates that 48 of 58 (82.8%) respondents said, “yes.”

Figure 6. Respondents willing to buy cheese from local farmers



The “yes” answer often was conditional, as one might expect, upon good quality of product and the competitiveness of price. (They did not feel that shelf life/spoilage was a problem because their wholesalers currently replace spoiled or out-of-date cheese products.)

Table 6. Purchasing cheese from local farmers is acceptable, depending on

| Prices | Quality Taste | Type of Product | Costumer Demand Acceptance | TOTAL |
|--------|---------------|-----------------|----------------------------|--------|
| 17 | 16 | 10 | 5 | 48 |
| 35.4% | 33.3% | 20.8% | 10.4% | 100.0% |

Discussion

The Hispanic population in the Southern Mountain areas of the Carolinas, Georgia and Tennessee is rapidly growing. This growth has created an increasing demand for specialty cheeses, especially *Queso Fresco*. Owners of small Hispanic outlets (*tiendas*) indicate a willingness to buy from local farmers, if their product quality is good and their prices competitive. There appears to be a significant variation in wholesale prices, suggesting locally grown products not requiring the costs associated with long refrigerated transport and spoilage can be competitive. In sum, there appears to be a market opportunity for local dairy farmers in Hispanic cheeses.

This report accounts for 2,664 pounds of cheese sold in a 14-day period in 58 Hispanic establishments; however, the NCDA request for proposals for this research project suggests the weekly market might be as high as 30,000 pounds. Additional research needs to be done to find out how much of these specialty cheeses for Hispanic families are being sold through supermarkets and other outlets not covered in this project.

CARA has several recommendations for revising the questionnaire before use in other areas of North Carolina. The Hispanic interviewers also would benefit from additional training, which should include an experience in tabulating some initial results to provide them a better understanding of the research.

Addendum:

Project Coordinator Comments

Research conducted with support from the Federal-State Marketing Improvement Program clearly indicates that strong demand exists for Hispanic-style cheeses, especially *Queso Fresco*, and that there is strong potential for local manufacturers to enter this market. The survey area targeted in this study represents only a small percentage of the Hispanic population in the southeast and North Carolina in particular. On a statewide or regional basis, there appears to be ample room for growth of new businesses providing this high demand food item.

A new census report shows that North Carolina had the nation's fastest-growing immigrant population during the 1990s. The number of foreign-born residents during the decade increased from 115,077 in 1990 to 430,000 in 2000. The vast majority of these immigrants are from Mexico, and most experts believe the real count is much higher. These new neighbors bring their own culinary tastes and a demand for the foods they are accustomed to. *Queso Blanco* and other Hispanic cheeses represent only one type of many food items that present new market opportunities for food producers in the state.

Allocation of Federal-State Marketing Improvement Program funds to this project has sparked widespread interest among North Carolina agribusiness service providers. As a result of communication on this matter among the NC Department of Agriculture & Consumer Services (NCDA&CS), North Carolina State University (NCSU), the North Carolina Rural Economic Development Center (The Rural Center), and the NC Agricultural Advancement Consortium, the following unanticipated, but positive, complementary projects are being initiated:

The NCDA&CS Farmstead Cheese Pasteurizer Lender Program: The NCDA&CS Agribusiness Development Office is conducting a pilot project to loan small batch dairy pasteurizers to specialty farmstead dairy producers in the state. This project is designed to lower the capital costs of entry into value added dairy production, with particular focus on farmstead cheese. In addition, the project encourages farmstead dairy entrepreneurs to invest in sanitary production facilities to manufacture wholesome and safe products for the consumer. This project uses \$29,000 in grant funds from the USDA specialty crops program and the NC Rural Center. Two pasteurizers have been purchased for use during the first year: one 50-gallon and one 25-gallon pasteurizer.

The NCSU Farmstead Cheese Production and Marketing Program: NCSU has received a \$75,000 grant from the North Carolina Golden LEAF Foundation to promote Farmstead cheese as a means of developing value-added products and income for North Carolina's 400 small cow dairies and 100 dairy goat farmers. The project will provide training and technical assistance to producers as they evaluate farmstead cheese production as a potential alternative product. Funds from this grant are to be used to identify hurdles to farmstead cheese producers and individuals interested in farmstead cheese production, to establish a farmstead cheese and milk/dairy processing short course

at N.C. State, and to identify consumer knowledge and expectations of N.C. Farmstead cheeses to facilitate marketing.

A Survey of Hispanic Style Cheeses in Eastern North Carolina: NCDA&CS has commissioned a market survey for Hispanic style cheeses in eastern North Carolina to mirror the work done with Federal-State Marketing Improvement Program funds in the western part of the state. \$20,000 in grant funds for this study were allocated by the NC Agricultural Advancement Consortium. Results from this study, being conducted in early 2004, will be compared with data generated from this Federal-State Marketing Improvement Program project. A meta-analysis of the findings from both studies will be published in 2004.

Microlending for Qualified Farmstead Producers: The Rural Center's Microenterprise Loan Program has targeted farmstead cheese producers as a priority area for extending qualified small business loans. The program works with individuals who have sound ideas for starting or expanding a small business but do not qualify for bank loans. These individuals may include women, members of minority groups, people with low incomes and limited assets, and people who live in rural areas. The Microenterprise Loan Program provides loans up to \$25,000 in combination with business planning and technical assistance.

Project Coordinator Conclusions

Coordinators for the above projects are in regular contact with each other and strive to work seamlessly in fostering the development of the farmstead dairy industry in North Carolina. Clearly, inter-agency cooperation in this area was prompted by interest in this Federal-State Marketing Improvement Program-funded study in the Southern Appalachian Region. As a result, the \$20,000 invested in this study is leveraging over \$100,000 to support the development of the farmstead value-added dairy industry in the state. As the industry develops in coming years, success will in no small way be the result of initial work funded by USDA's Federal-State Marketing Improvement Program.

Smithson Mills
Agribusiness Developer – WNC
NCDA&CS

References

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<http://mumford1.dyndns.org/cen2000/HispanicPop/HspPopData/3160msa.htm>

Smithson Mills email to CARA director, 12/11/03

The Specialty Cheese Company
(<http://www.specialcheese.com/queso.htm>).